Registered number: NI 015738

Randox Laboratories Limited

Directors' report and financial statements

for the year ended 31 December 2016

Randox Laboratories Limited

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Randox Laboratories Limited

Directors and advisors

Directors

Dr. Peter Fitzgerald
Richard Kelly

Company secretary

Dr. Peter Fitzgerald

Registered office

Ardmore
55 Diamond Road
Crumlin
County Antrim
BT29 4QY

Solicitors

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GG

Bankers

Danske Bank Limited
42 High Street
Antrim
BT41 4AP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Strategic report for the year ended 31 December 2016

The directors present their strategic report on the company for the year ended 31 December 2016.

Principal activities and review of the business

Randox research, develop, manufacture, market and sell, globally, innovative healthcare diagnostic products to enable the early and more accurate diagnosis of disease. Healthcare systems across the world are universally under significant pressure with the rise of both communicable and non-communicable diseases, and the increasing burden of chronic conditions such as diabetes and cardiovascular disease. Randox innovations, greatly improving diagnosis, will enable more effective clinical/lifestyle intervention, ensure better patient outcomes and reduce the resource burden on healthcare providers.

Randox are currently exporting to 145 countries globally and estimate that around 100,000 laboratories, or 20% of the world's total, are using some Randox products. This gives scope for the greater penetration of our current customer base, and the exploitation of new markets. Our wide customer base also provides the capability to off-set, say, geo-political challenges in one market with increased sales and marketing application elsewhere. We are also focussed on those markets with the greatest growth potential, and note the prediction that the Asia-Pacific region will have 3.2 billion people defined as economically middle class by 2030, moving from a source of supply to a source of consumption.

Randox capabilities are constantly developing to meet demand, with up to 16% of our turnover committed to research and development and 300 research scientists and engineers dedicated to the improvement of current, and development of new products. We understand our market is dynamic, and aim to remain at the innovative forefront.

Traditional Randox capabilities include Internal Quality Control (IQC), External Quality Assurance (EQA), clinical chemistry reagents and clinical chemistry analysers. Randox IQC is renowned for its stability and accurate value assignment and our global EQA scheme (RIQAS) is the largest in the world, with over 31,000 participants. These capabilities, ensuring the accuracy of laboratory results, are the bedrock of laboratory services. Randox are also a major producer of clinical chemistry reagents, including 10% of the world's cholesterol tests. In 2015 we produced 115 assays, the world's greatest range, we released market-leading first CE marked assays for Aspirin Resistance (TxB Cardio) and Adiponectin. Our clinical chemistry analysers, ranging from semi-automated to 560 tests per hour are highly reliable and acknowledged as best in class.

Randox's unique innovation lies in our proprietary Biochip Array Technology, which allows multiple diagnostic tests to be conducted simultaneously. This technology is world leading and allows greater use of new knowledge as increasing numbers of biomarkers are researched and proven to provide incremental diagnostic value. Randox arrays are both proteomic and genomic in nature, with capabilities ranging from the facilitation of more effective clinical research, to the accurate identification of multiple pathogens within respiratory disease, to identifying an individual's risk from cardiovascular disease. Our active engagement with over 35 collaborative projects will further enhance these capabilities.

We also actively seek new markets. By its nature Biochip Array Technology is ideally suited, by way of example, to the Food Safety and Forensic Toxiciology markets. In the Food Safety area we can detect multiple drug residues, administered to animals but that may remain within the associated foodstuffs prepared for human consumption; this can be harmful and has provided access to related import/export markets and large-scale producers. Forensic toxicology laboratories utilise our products to screen samples for multiple drugs of abuse, providing access to both workplace drug screening and medico-legal markets.

Performance and position

The company reported a profit for the financial year of £8.1m (2015: £14.1m) on a turnover of £81.5m (2015: £78.8m). At the year end the company had net assets of £58.5m (2015: £50.4m).

Strategic report for the year ended 31 December 2016 (continued)

Key performance indicators (KPI's)

The company's key performance indicators are gross profit margin, operating profit margin and EBITDA ("Earnings before interest, tax, depreciation and amortisation"). The performance of these key performance indicators is as follows:

	2016	2015	2014
Gross profit margin	**47.0%**	52.4%	48.2%
Operating profit margin	**11.9%**	24.3%	14.3%
EBITDA (£'000)	**17,849**	23,208	13,789

Principal risks and uncertainties

The directors of the ultimate parent company, Randox Holdings Limited, manage the group's risks at a group level rather than at an individual company level. For this reason, the company's directors believe that a discussion of the group's risks would be inappropriate for an understanding of the development, performance or position of Randox Laboratories Limited's business.

Going concern

The group, of which the company is a member, meets its day to day working capital requirements through a bank overdraft facility which expires in October 2017 and a bank loan facility which expires in 2023. The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products; (b) exchange rates between the Euro and other currencies impacting on the cost of the group's raw materials; and (c) the availability of bank finance in the foreseeable future.

The company and group is currently in advanced discussions with its bankers on extending the level of its current facilities and expects this to be satisfactorily concluded.

The directors' expectation is that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Future developments

The company's strategy is to create shareholder value by investing for the long term and by positioning the company to be the leader in its chosen markets. The performance for the year under review reflects further sustained progress towards achieving this long term objective and at the same time maintaining the company's strong balance sheet.

This report was approved by the board and signed on its behalf on 30 June 2017 by:

Dr. Peter Fitzgerald
Director

Richard Kelly
Director

Directors' report for the year ended 31 December 2016

The directors present their annual report and the audited financial statements of the company for the financial year ended 31 December 2016.

Future developments

The section on future developments, which is detailed in the strategic report, is included in this report by cross reference.

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the company's finance department.

Price risk

In terms of pricing risk, the risk of the company receiving low prices compared to market levels is mitigated by the use of up-to-date market intelligence and internal review of pricing assumptions. The company does not have a major exposure to commodity price risk as a result of its operations and is not exposed to equity securities price risk as it holds no listed investments.

Foreign exchange risk

The company's sales are worldwide and therefore the company is exposed to movement in exchange rates. The company also sources raw materials worldwide, this provides partial hedging and therefore reduces the risk of exchange rate movements, it also operates currency bank accounts. Company policy is to minimise the exposure of overseas subsidiaries to transaction risk by matching local currency income and costs. The company has also used financial instruments to hedge foreign exchange exposure and this position is kept under review.

Credit risk

The company's principal financial assets are bank balances, cash, trade and other debtors. The company's credit risk is primarily attributable to these amounts. Trade and other debtor amounts presented in the balance sheet are net of allowances for doubtful receivables. The risk in relation to trade debtors is managed through the ongoing review of the aged profile of the debt, thereby monitoring credit given and optimising the recoverability of the balance on an ongoing basis. The company has no significant concentration of credit risk with the total exposure spread over a number of debtors.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term finance.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest at both fixed and variable rates. The company debt is primarily maintained at variable rates although it also utilises a number of fixed rate loans.

Environment and corporate responsibility

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Directors' report for the year ended 31 December 2016 (continued)

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike. The company exercises a strong commitment towards the maintenance of a healthy and safe working environment and provides training in safety procedures for its employees both in practical terms and in the issue of safety policies, notifications and publications to raise and maintain awareness to safety matters.

Employees and employee participation

The company applies the principles of fairness and equality of opportunity to both able bodied and disabled in its employment and recruitment policies.

It is the policy of the company to encourage the employment, training and advancement of disabled persons wherever possible. In the event of an employee becoming disabled while in the employment of the company, effort is made to provide a suitable alternative position within the company.

The employees of the company are kept informed on matters through meetings and announcements.

The company maintains an internal Human Resources Department which provides induction and ongoing training and advice in all disciplines of employment policies, procedures and legislation and staff development.

Going concern

The section on going concern which is detailed in the strategic report is included in this report by cross reference.

Dividends

The directors have not declared or proposed any dividend during the year (2015: £nil).

Directors

The directors who served during the year and up to the date of these financial statements were signed, were:

Dr. Peter Fitzgerald
Richard Kelly

Charitable and political donations

No donations for charitable or political purposes were made during the year (2015: £nil).

Overseas branches

Overseas branches of the company are listed in note 22 to the financial statements.

Fixed assets

Full disclosure of matters relating to tangible fixed assets is set out in note 13 to the financial statements. The company continues to expend resources upon development costs with a view to marketing its products, as set out in note 12.

Directors' report for the year ended 31 December 2016 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company auditors in connection with preparing their report and to establish that the company auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf on 30 June 2017 by:

Dr. Peter Fitzgerald
Director

Richard Kelly
Director

Independent auditors' report to the members of Randox Laboratories Limited

Report on the financial statements

Our opinion

In our opinion, Randox Laboratories Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:
- the statement of income and retained earnings for the year then ended;
- the balance sheet as at 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Randox Laboratories Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Brenda Heenan

Brenda Heenan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast

30 June 2017

Statement of income and retained earnings for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Turnover	5	**81,493**	78,837
Cost of sales		**(43,151)**	(37,510)
Gross profit		**38,342**	41,327
Administrative expenses:			
Exceptional amounts written off debtors	6	**(2,588)**	(1,927)
Other administrative expenses		**(29,708)**	(24,353)
Total administrative expenses		**(32,296)**	(26,280)
Other operating income	7	**3,633**	4,109
Operating profit	7	**9,679**	19,156
Interest payable and similar charges	10	**(63)**	(780)
Profit on ordinary activities before tax		**9,616**	18,376
Tax on profit on ordinary activities	11	**(1,506)**	(4,319)
Profit for the financial year		**8,110**	14,057
Retained earnings at the start of the year		**50,329**	36,272
Retained earnings at the end of the year		**58,439**	50,329

All amounts above relate to continuing operations of the company.

Balance sheet as at 31 December 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	12	**25,247**	22,237
Tangible assets	13	**25,502**	18,930
Investments	14	**335**	259
		51,084	41,426
Current assets			
Stocks	15	**21,516**	19,200
Debtors	16	**70,788**	58,491
Cash at bank and in hand		**131**	172
		92,435	77,863
Creditors: amounts falling due within one year	17	**(80,354)**	(64,770)
Net current assets		**12,081**	13,093
Total assets less current liabilities		**63,165**	54,519
Creditors: amounts falling due after more than one year	18	**(620)**	(808)
Provisions for liabilities	19	**(4,016)**	(3,292)
Net assets		**58,529**	50,419
Capital and reserves			
Called up share capital	20	**88**	88
Other reserves		**2**	2
Retained earnings		**58,439**	50,329
Total shareholders' funds		**58,529**	50,419

The notes on pages 11 to 26 are an integral part of these financial statements.

The financial statements of Randox Laboratories Limited, registered number NI 015738, on pages 9 to 26 were approved by the Board of Directors.

Signed on behalf of the Board of Directors on 30 June 2017 by:

Dr. Peter Fitzgerald
Director

Richard Kelly
Director

Registered number: NI 015738

Notes to the financial statements for the year ended 31 December 2016

1 General information

Randox research, develop, manufacture, market and sell, globally, innovative healthcare diagnostic products to enable the early and more accurate diagnosis of disease.

The company is a private company limited by shares and is incorporated in Northern Ireland in the United Kingdom. The address of its registered office is Ardmore, 55 Diamond Road, Crumlin, Co.Antrim, BT29 4QY.

2 Statement of compliance

The individual financial statements of Randox Laboratories Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The group, of which the company is a member, meets its day to day working capital requirements through a bank overdraft facility which expires in October 2017 and a bank loan facility which expires in 2023. The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products; (b) exchange rates between the Euro and other currencies impacting on the cost of the group's raw materials; and (c) the availability of bank finance in the foreseeable future.

The company and group is currently in advanced discussions with its bankers on extending the level of its current facilities and expects this to be satisfactorily concluded.

The directors' expectation is that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- a reconciliation of the number of shares outstanding at the beginning and end of the period;
- the requirement to prepare a statement of cash flows;
- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- the non-disclosure of key management personnel compensation in total.

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Consolidated financial statements

These financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, Randox Holdings Limited, a company incorporated in Northern Ireland.

Intangible assets

Development expenditure:

Development expenditure relating to diagnostic products manufactured by the company is written off as incurred, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period during which the company is expected to benefit. This period is typically three years. Provision is made for any impairment.

Capitalised development costs include external direct costs of material and services together with direct labour costs and overheads relating to development expenditure. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Licences:

Product licences acquired are capitalised and amortised over their useful economic life which is typically ten years. They are carried at historical cost less accumulated amortisation and impairment losses.

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Buildings

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses

(ii) Plant and machinery, and office equipment

Plant and machinery, and office equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Buildings	5% straight line
Plant and machinery	20% - 25% reducing balance
Office equipment	20% reducing balance

The carrying values of tangible fixed assets are reviewed annually for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

3 Accounting policies (continued)

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the statement of income and retained earnings, and the capital element which reduces the outstanding obligation for future instalments.

Rentals under operating leases are charged to the statement of income and retained earnings as incurred.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and retained earnings, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of income and retained earnings.

Investments

Investment in subsidiary companies is held at cost less accumulated impairment losses.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, director labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of income and retained earnings. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of income and retained earnings.

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Government grants

Capital based grants on tangible fixed assets are shown as deferred income and credited to the statement of income and retained earnings by instalments on a basis consistent with the depreciation policy of the relevant assets.

Grants relating to revenue expenditure are credited to statement of income and retained earnings on an earned and due for payment basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (i) the significant risks and rewards of ownership have been transferred to the buyer; (ii) the company retains no continuing involvement or control over the goods; (iii) the amount of revenue can be measured reliably; and (iv) it is probable that future economic benefits will flow to the company.

Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

3 Accounting policies (continued)

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, amounts owed by group undertakings and cash and bank balances and are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and amounts owed to group undertakings and related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised in equity. In this case tax is also recognised in equity. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings.

Notes to the financial statements for the year ended 31 December 2016

3 Accounting policies (continued)

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognized as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution scheme for specific directors and employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

The company makes a number of judgements in respect of the capitalisation of development expenditure. These judgements include:

i) the determination of the point at which the qualifying criteria are met; and
ii) the assessment of when capitalized expenditure is impaired.

These judgements have a significant impact on the recognition of intangible assets.

(b) Key accounting estimates and assumptions

There are no critical accounting estimates and assumptions.

5 Turnover

A geographical analysis of turnover and profits before taxation has been omitted because, in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the company.

6 Exceptional items

Administration expenses includes an exceptional provision of £2,588,337 (2015: £1,926,583) for bad debts.

Notes to the financial statements for the year ended 31 December 2016

7 Operating profit

	2016	2015
	£'000	£'000
This is stated after charging/(crediting):		
Staff costs (note 8)	**23,606**	22,724
Depreciation of tangible fixed assets	**2,299**	1,963
Amortisation of intangible assets	**5,871**	2,089
Loss/(profit) on disposal of tangible fixed assets	**3**	(28)
Foreign exchange loss/(gain)	**989**	(1,463)
Operating lease payments - land and buildings	**320**	310
Other operating income		
- Research and development credit (RDEC)	**(1,701)**	(3,420)
- Revenue grants received	**(1,638)**	(689)
- Other income	**(294)**	-

Fees payable to the company's auditor for the audit of the financial statements	**41**	38
Fees payable to the company's auditor for other services	**14**	8
Total amount payable to the company's auditor and its associates	**55**	46

8 Employee information

	2016	2015
	£'000	£'000
Staff costs		
Wages and salaries	**21,152**	20,415
Social security costs	**2,146**	2,013
Other pension costs	**308**	296
	23,606	22,724

Included within staff costs is an amount of £3,649,037 (2015: £3,692,822) that has been capitalised as part of development expenditure.

Average monthly number of persons employed by the company (including directors) during the financial year by activity:	**2016**	2015
	Number	Number
Research and development	**250**	202
Production and distribution	**434**	422
Administration	**119**	135
	803	759

9 Directors' emoluments

	2016	2015
	£'000	£'000
Aggregate emoluments	**128**	130

Notes to the financial statements for the year ended 31 December 2016

10 Interest payable and similar charges

	2016 £'000	2015 £'000
Interest payable on bank loans and overdrafts	**63**	780

11 Tax on profit on ordinary activities

	2016 £'000	2015 £'000
Current tax:		
UK corporation tax on profit for the financial year	**1,541**	1,982
Adjustment in respect of prior years	**(759)**	1,798
Total current tax	**782**	3,780
Deferred tax:		
Origination and reversal of timing differences	**533**	929
Changes in tax rates and laws	**(290)**	(377)
Adjustment in respect of previous years	**481**	(13)
Total deferred tax	**724**	539
Tax on profit on ordinary activities	**1,506**	4,319

Reconciliation of tax charge

The tax assessed for the financial year is lower (2015: higher) than the standard rate of Corporation Tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	**9,616**	18,376
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20% (2015: 20.25%)	**1,923**	3,720
Effects of:		
Expenses not deductible for tax purposes	**792**	599
Income not taxable	**(28)**	(468)
Group relief received	**(613)**	(939)
Adjustment in respect of previous years	**(278)**	1,784
Tax rate changes	**(290)**	(377)
Total tax on profit on ordinary activities	**1,506**	4,319

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation Tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 31 December 2016

12 Intangible assets

	Development expenditure £'000	Licences £'000	Total £'000
Cost			
At 1 January 2016	39,739	2,596	42,335
Additions	8,353	528	8,881
At 31 December 2016	**48,092**	**3,124**	**51,216**
Accumulated amortisation			
At 1 January 2016	19,204	894	20,098
Charge for the year	5,591	280	5,871
At 31 December 2016	**24,795**	**1,174**	**25,969**
Net book amount			
At 31 December 2016	**23,297**	**1,950**	**25,247**
At 31 December 2015	20,535	1,702	22,237

Development expenditure and licences (net book value) amounting to £25.2m (2015: £22.2m) are pledged as security against the company's bank loans and overdrafts.

13 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2016	18,244	16,777	7,118	42,139
Currency translation differences	31	226	36	293
Additions	7,454	820	531	8,805
Disposals	-	(30)	-	(30)
At 31 December 2016	**25,729**	**17,793**	**7,685**	**51,207**
Accumulated depreciation				
At 1 January 2016	5,840	12,802	4,567	23,209
Currency translation differences	10	192	22	224
Charge for the year	842	882	575	2,299
Disposals	-	(27)	-	(27)
At 31 December 2016	**6,692**	**13,849**	**5,164**	**25,705**
Net book amount				
At 31 December 2016	**19,037**	**3,944**	**2,521**	**25,502**
At 31 December 2015	12,404	3,975	2,551	18,930

Land and buildings, plant and machinery and office equipment (net book value) amounting to £25.5m (2015: £18.9m) are pledged as security against the company's bank loans and overdrafts.

14 Investments

	Unlisted investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2016	259	1,794	2,053
Additions	76	-	76
At 31 December 2016	**335**	**1,794**	**2,129**
Accumulated depreciation			
At 1 January 2016 and **at 31 December 2016**	-	**1,794**	**1,794**
Net book amount			
At 31 December 2016	**335**	**-**	**335**
At 31 December 2015	259	-	259

The company holds 100% of the share capital in the following companies whose principal activities are the sale of biotechnology products, other than Randox Land Owner Ltd whose activity is the leasing of a commercial building:

Company	Country of incorporation	Registered office address
Randox Laboratories Canada Ltd	Canada	1012 Ernest Cousins Circle, New Market, Ontario, L3X 0A1
Randox Laboratories Gmbh	Germany	Konigsallee 45/47, 40189, Dusseldorf
Irlandox Laboratories Q.A. Ltd	Portugal	Irlandox Laboratorios Quimica Analitica Lda., Rua D. Agostinho de Jesus e, Sousa 264, 4000 -015 Porto, Portugal
Laboratorios Randox S. L.	Spain	Laboratorios Randox SL, C/Enric Prat De La Riba,226, 1 Planta, 08901 L'Hospitalet de Liobregat, Barcelona, Spain
Randox sro	Slovakia	Randox S.R.O, Vilova 2, 851 01 Bratislava, Slovakia
Randox Laboratories sro	Czech Republic	Narodnich hrdinu 12/1, 690 70 Breclav, Czech Republic
Randox Australia (Pty) Ltd	Australia	Randox (Australia) Pty Ltd, Suite 2/4 Charles Street, Parramatta NSW 2150, Australia
Randox Brasil Ltda	Brazil	Randox Brazil Ltda, Rua Fernandes Moreira, 415, Cep: 04716-000-Sao Paulo/SP, Brazil
Randox Laboratories S.A. (Pty) Ltd	South Africa	Randox Laboratories SA (PTY) Ltd, Unit 17 Leogem Commercial Park, 90 Richards Drive, Halfway House, Midrand 1685, South Africa
Randox Korea Ltd.	Korea	904 Doosan Venturediam 126-1, Pyeongchon-dong, Dongan-gu, Kyonggi-do, South Korea
Randox Laboratories Ltd. (Switzerland)	Switzerland	C/O Auctor Schwyz AG, Wirtschafts-Treuhand, Oberer Steisteg 18, PO Box 148, CH 6430 Schwyz
Randox Laboratories (I) Pvt. Ltd.	India	Plot no. 191 to 195 & 246 to 250, KIADB Industrial Area, Bommasandra, Jigani link road, Bengalura - 562 105, Bangalore
Randox Laboratories,US Ltd.	USA	Randox Laboratories-US, Ltd, 515 Industrial Blvd, Kearneysville, WV 25430
Randox Land Owner Ltd	USA	Randox Laboratories-US, Ltd, 515 Industrial Blvd, Kearneysville, WV 25430
Randox de Puerto Rico Inc	Puerto Rico	PMB 590 PO Box 29005, San Juan, PR 00929 – 0005, Puerto Rico
Randox Laboratories Ltd. (Jamaica)	Jamaica	7th Floor, ScotiaBank Centre , Cnr Duke & Port Royal Streets , Kingston, Jamaica
Randox Medical Trading LLC	UAE	Randox Medical Trading LLC, Westbury Tower 1, Business Bay, Dubai
Randox Clinic LLC	UAE	Randox Clinic LLC, Al Wasal, Tumeirah First, Dubai
Randox Laboratories Sp ZOO	Poland	ul.pulawska 405 A, 02-801 Warszawa, Poland

Notes to the financial statements for the year ended 31 December 2016

15 Stocks

	2016 £'000	2015 £'000
Raw materials	**13,264**	11,100
Work in progress	**3,827**	3,893
Finished goods and goods for resale	**4,425**	4,207
	21,516	19,200

There is no significant difference between the replacement cost of stocks and their carrying amounts.

16 Debtors

	2016 £'000	2015 £'000
Trade debtors	**7,448**	6,353
Amounts owed by group undertakings	**55,349**	47,987
Amounts due by related parties (note 23)	**3,924**	2,589
Other debtors	**1,787**	1,082
Corporation tax	**91**	-
Prepayments and accrued income	**2,189**	480
	70,788	58,491

Amount owed by group undertakings are unsecured, interest free and are payable on demand.

17 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Bank overdrafts	**12,436**	7,772
Trade creditors	**13,407**	9,140
Amounts owed to group undertakings	**48,447**	42,499
Other creditors	**364**	831
Other taxation and social security payable	**783**	623
Corporation tax	**-**	360
Accruals and deferred income	**4,422**	3,157
Obligations under finance lease and hire purchase contracts	**495**	388
	80,354	64,770

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Security

The company's borrowings at 31 December 2016 are secured by fixed and floating charges over the company's assets and undertakings in favour of Danske Bank.

Notes to the financial statements for the year ended 31 December 2016

18 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Obligations under finance lease and hire purchase contracts	**620**	808

19 Provision for liabilities

Deferred taxation	**£'000**
At 1 January 2016	**(3,292)**
Charged to the profit and loss account	**(243)**
Adjustment in respect of prior years	**(481)**
At 31 December 2016	**(4,016)**

Deferred taxation comprises:	**2016 £'000**	2015 £'000
Short term timing differences	**11**	-
Accelerated capital allowances	**(4,027)**	(3,292)
	(4,016)	(3,292)

20 Called up share capital

	2016 £'000	2015 £'000
Allotted and fully paid		
88,200 (2015: 88,200) ordinary shares of £1	**88**	88

21 Obligations under operating lease commitments

At 31 December the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2016 £'000	2015 £'000
Within one year	**495**	607
Within two to five years	**620**	1,318
	1,115	1,925

Notes to the financial statements for the year ended 31 December 2016

22 International branches

The company has international branches operating in the following locations:

USA
France
Italy
India
Poland
China
Russia
Hong Kong
Vietnam
Ukraine
Saudi Arabia
Mexico
Croatia
UAE (Dubai)
Puerto Rico
Hungary
Thailand
Japan
Argentina
Uzbekistan
Kyrgystan
Bulgaria
Jamaica
Pakistan
Singapore

23 Related party disclosures

The companies below are related parties as Dr. Peter Fitzgerald is a director and shareholder. Dr. Peter Fitzgerald owns Cherryvalley Farms. Transactions relate to intercompany loans, sales, purchases and recharges. No interest is chargeable. The company has taken advantage of the exemption granted by paragraph 3(c) of FRS8, Related Party Disclosures, not to disclose transactions with its parent company Randox Holdings Limited or other group companies. The financial statements of the parent company are available from the address outlined in note 25. In the current year, an amount of £96,533 is included in other creditors (2015: £179,742) in respect of a directors current account for Dr. Peter Fitzgerald. No interest was charged or is payable.

	Sales 2016 £'000	**Debtor 2016 £'000**	Sales 2015 £'000	Debtor 2015 £'000
Randox Clinics Limited	**1,206**	**2,036**	384	1,075
Randox Health Checks NI Ltd	**1**	-	-	100
Randox Health Checks Ltd	**1**	-	22	157
Cherryvalley Farms	-	**1,422**	-	1,224
Dundarave Properties Ltd	-	**434**	-	-
Randox Health Checks US LLC	-	**32**	-	33
	1,208	**3,924**	406	2,589

	Purchases 2016 £'000	**Creditor 2016 £'000**	Purchases 2015 £'000	Creditor 2015 £'000
Cherryvalley Farms	**450**	-	450	-

Notes to the financial statements for the year ended 31 December 2016

24 Contingent liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these group facilities. In respect of the banking facilities of Randox Teoranta, the company entered into a guarantee and indemnity from the company in favour of Danske Bank in respect of the present and future liabilities of Randox Teoranta, limited to £1,000,000; and a charge on account of £1,000,000 in bank account of the company with Danske Bank.

25 Ultimate parent undertaking and ultimate controlling party

The ultimate controlling party and ultimate parent company is Randox Holdings Limited, a company registered in Northern Ireland and based at Ardmore, 55 Diamond Road, Crumlin, County Antrim, BT29 4QY. Copies of the financial statements of Randox Holdings Limited are available from the Registrar of Companies, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.